



INTERIM REPORT 2005

# The Total Security Solution

- Operating profit before amortisation up 12.4% to £523,602 on turnover of £7,857,225 up 11.1%
- Net assets up 21.4% to £5,362,185
- Three acquisitions completed in the six months
- Significant business developed in the Midlands
- Expansion into the electronic security sector

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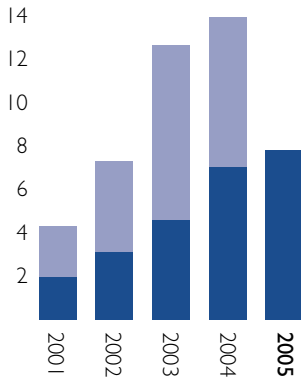
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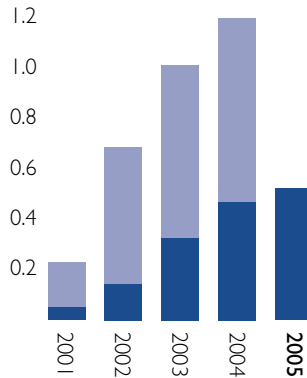
## Financial Highlights

for the six months ended 31 March 2005

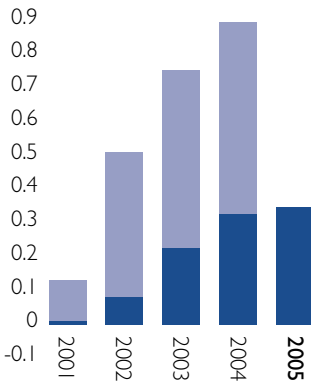
**Turnover (£m)**  
£7.9 (+11.1%)



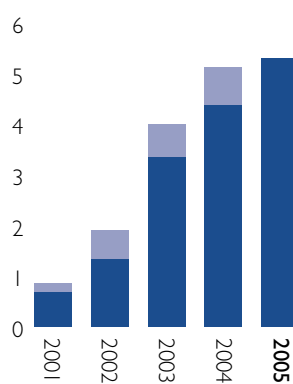
**Operating profit before amortisation (£m)**  
£0.5 (+12.4%)



**Profit before tax (£m)**  
£0.3 (+8.8%)



**Net assets (£m)**  
£5.4 (+21.4%)



Half year     Full year

## Chairman's Statement

In the six month period under review we have continued to expand the business, consolidating our position as a leading provider of security solutions in the United Kingdom. Our progress has been reflected in our results for the six months ended 31 March 2005, which show turnover up 11.1% to £7,857,225 (2004: £7,071,631), gross profit up 10.6% to £1,357,272 (2004: £1,227,235) and operating profit before amortisation up 12.4% to £523,602 (2004: £465,888).

We have maintained our strategy of consolidating businesses within the security sector and during the first half of the year we completed three acquisitions. On 2 December we acquired the manned guarding contracts of Nationwide (GB) Limited, a business based in Grantham. This was followed on 13 December by the acquisition of the manned guarding contracts of Choice Security Services Limited, based in Stourbridge. These two Midlands based acquisitions, have enhanced our client base in that region and have provided us with a solid platform to build the geographic spread of our business.

We also completed the acquisition of SectorAlarm Limited, a company specialising in the installation and maintenance of electronic security systems, ranging from fire and intruder alarm systems to CCTV and access control systems. This acquisition enables us to design total security solution packages for each of our clients. These combine the best qualities of both traditional personnel based solutions, such as static guarding and mobile patrols, with applications such as electronic perimeter defence, electronic detection and remote monitoring to provide cost effective and robust protection.

We believe that by offering this wider range of services we are better able to both tailor our security solution to the client's risk profile as well as match the solution to their budgetary requirements.

One of the major challenges faced by manned guarding businesses over the next 12 months is the introduction of licensing for security guards under the Private Security Industry Act 2001. The legislation aims to raise standards of professionalism and skills within the private security industry and to promote and spread best practice. Once introduced, the industry will be regulated by the Security Industry Authority (SIA).

By 20 March 2006 all security officers are required to hold an SIA licence. The process to obtain the licence includes enhanced levels of training with third party assessment and certification of this training. We have invested significant resources into all aspects of licensing. By the end of May more than 50% of our work force had completed the required training and we anticipate that this figure will exceed 90% by the end of September.

In addition to issuing licences the SIA is introducing an accreditation scheme for security companies to be known as the "Approved Contractors Scheme". Whilst the criteria for this scheme have not yet been confirmed, we are taking an active role in its development and are confident that we will meet the required standard to achieve accreditation.

## Chairman's Statement

The investment in licensing and obtaining Approved Contractor status will inevitably impact on costs in the current year; however, we believe these will be recoverable in the medium term. There will be a number of businesses that will either be unable or unwilling to comply with the new legislative requirements. We believe that our financial stability, operational strengths and continued investment in our staff and systems will leave us in a position to benefit from an increased market share following the departure of these businesses.

Since 1 April we have been awarded several new contracts. These include contracts with the Guys Campus and Maugham Library for King's College London, Wolverhampton City Council and Dudley Metropolitan Borough Council. These gains are significant as they highlight our growing presence in the education sector as well as an initial return on our investment in the Midlands. We are also in negotiation with a number of potential acquisition targets both in the manned guarding and electronic security sectors.

We believe that by continuing our acquisition programme supported by our organic growth we will become a leading supplier of total security solutions in the United Kingdom and I hope to report further progress in our year-end statement.

A handwritten signature in blue ink that reads "David Marks". The signature is written in a cursive style and is enclosed within a simple, hand-drawn rectangular box.

**David Marks**

Chairman

20 June 2005

## Group Consolidated Profit and Loss Account

for the six months ended 31 March 2005

	<b>Six months ended 31 March 2005 (Unaudited) £</b>	Six months ended 31 March 2004 (Unaudited) £	Year ended 30 September 2004 (Audited) £
<b>Turnover</b>	<b>7,857,225</b>	7,071,631	14,048,604
Cost of sales	<b>(6,499,953)</b>	(5,844,396)	(11,317,173)
<b>Gross profit</b>	<b>1,357,272</b>	1,227,235	2,731,431
Administrative expenses before goodwill Amortisation and impairment	<b>(833,670)</b>	(761,347)	(1,536,328)
<b>Operating profit before goodwill amortisation and impairment</b>	<b>523,602</b>	465,888	1,195,103
Goodwill amortisation and impairment	<b>(133,700)</b>	(102,033)	(212,256)
<b>Operating profit</b>	<b>389,902</b>	363,855	982,847
Interest receivable and similar income	<b>69</b>	504	4,949
Interest payable and similar charges	<b>(56,323)</b>	(57,600)	(102,439)
<b>Profit on ordinary activities before taxation</b>	<b>333,648</b>	306,759	885,357
Tax on profit on ordinary activities	<b>(101,848)</b>	(92,028)	(284,055)
<b>Retained profit for the period</b>	<b>231,800</b>	214,731	601,302
Equity dividends	<b>Nil</b>	Nil	(102,878)
<b>Retained profit for the financial year</b>	<b>231,800</b>	214,731	498,424
<b>Earnings per ordinary share</b>			
Basic	<b>0.11p</b>	0.11p	0.30p
Diluted	<b>0.11p</b>	0.10p	0.29p
Basic (based on pre-amortisation and impairment earnings figure)	<b>0.15p</b>	0.14p	0.38p
Diluted (based on pre-amortisation and impairment earnings figure)	<b>0.16p</b>	0.14p	0.37p

## Group Consolidated Balance Sheet

as at 31 March 2005

	<b>Unaudited as at 31 March 2005</b>	Unaudited as at 31 March 2004	Audited as at 30 September 2004
	£	£	£
<b>Fixed assets</b>			
Intangible assets	<b>5,674,612</b>	3,663,662	3,743,955
Listed investment	<b>57,500</b>	Nil	Nil
Tangible assets	<b>259,703</b>	299,479	259,839
	<b>5,991,815</b>	3,963,141	4,003,794
<b>Current assets</b>			
Debtors	<b>3,854,822</b>	2,961,464	3,592,230
Cash at bank and in hand	<b>207,882</b>	146,192	258,230
	<b>4,062,704</b>	3,107,656	3,850,460
<b>Creditors:</b> amounts falling due within one year	<b>(3,612,971)</b>	(1,811,558)	(2,707,143)
<b>Net current assets</b>	<b>449,733</b>	1,296,098	1,143,317
<b>Total assets less current liabilities</b>	<b>6,441,548</b>	5,259,239	5,147,111
<b>Creditors:</b> amounts falling due after more than one year	<b>(348,885)</b>	(711,299)	(395,346)
Provisions for liabilities and charges	<b>(730,478)</b>	(131,308)	(60,000)
<b>Net assets</b>	<b>5,362,185</b>	4,416,632	4,691,765
<b>Capital and reserves</b>			
Called up share capital	<b>1,094,890</b>	1,028,777	1,028,777
Share premium account	<b>2,462,844</b>	2,098,897	2,090,337
Profit and loss account	<b>1,804,451</b>	1,288,958	1,572,651
<b>Shareholders' funds</b>	<b>5,362,185</b>	4,416,632	4,691,765

## Group Consolidated Cashflow

as at 31 March 2005

	Unaudited as at 31 March 2005 £	Unaudited as at 31 March 2004 £
<b>Net cash inflow from operating activities</b>	<b>1,108,814</b>	69,328
<b>Returns on investment and servicing of finance</b>		
Interest paid	<b>(56,323)</b>	57,600
<b>Taxation</b>		
Tax paid	—	—
<b>Capital expenditure</b>		
Payments to acquire investments	<b>(57,500)</b>	—
Payments to acquire intangible fixed assets	<b>(213,896)</b>	(80,000)
Payments to acquire tangible fixed assets	<b>(42,732)</b>	(56,606)
Decrease in provision for liabilities and charges	<b>(187,500)</b>	(316,547)
	<b>(501,628)</b>	(453,153)
<b>Acquisitions &amp; disposals</b>		
Purchase of subsidiary undertaking	<b>(270,801)</b>	—
Net cash acquired with subsidiary	<b>25,806</b>	—
	<b>(244,995)</b>	—
<b>Equity dividends paid</b>	<b>(102,878)</b>	—
<b>Net cash inflow before financing</b>	<b>202,990</b>	(326,225)
<b>Financing</b>		
Issue of ordinary share capital	<b>257,597</b>	154,950
Loans repaid	<b>(395,765)</b>	(271,015)
Finance lease repayments	<b>(40,771)</b>	(28,070)
Bank working capital facility	<b>(74,399)</b>	(219,316)
	<b>(253,338)</b>	(363,451)
<b>Net cash outflow for the period</b>	<b>(50,348)</b>	(689,676)

## Notes

### 1. Financial Information

The interim results for the six months ended 31 March 2005 and six months ended 31 March 2004 are unaudited and do not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. They have been drawn up using accounting policies and principles consistent with those applied in the preparation of the audited accounts for the year ended 30 September 2004. The comparative information contained in the report for the year ended 30 September 2004 does not constitute the statutory accounts for that financial period. Those accounts have been reported on by the Company's auditors, Nexia Audit Limited, and delivered to the Registrar of Companies.

The report of the auditors was unqualified.

### 2. Segmental Analysis

Activity	Turnover £	Pre-tax profit £	Profit before tax and goodwill £	Net assets £
For the six months ended at 31 March 2005				
Manned Guarding	7,744,784	312,365	487,641	5,349,039
Electronic Security Services	112,441	30,013	38,725	259,468
	7,857,225	342,378	526,366	5,608,507
Net funds				(246,322)
Total				5,362,185

### 3. Taxation

The tax charge for the period is based on the anticipated effective tax rate for the year to 30 September 2005.

### 4. Earnings per share

The earnings per share is based upon a profit of £231,800 (2004: £214,731) and the weighted average number of shares ranking for dividend during the period of 206,707,963 (2004: 202,312,143).

The fully diluted earnings per share is based upon the profit as disclosed above and the weighted average number of shares ranking for dividend during the period of 211,508,105 (2004: 207,127,788) adjusted for the effects of all dilutive potential shares.

The earnings per share based on earnings before amortisation and impairment of £327,409 (2004: £286,154) reflecting the weighted average number of shares ranking for dividend during the year of 206,707,963 (2004: 202,312,143) is 0.16p (2004: 0.14p).

The fully diluted earnings per share is based upon the profit as disclosed above and the weighted average number of shares ranking for dividend during the year of 211,508,105 (2003: 207,127,788) adjusted for the effects of all dilutive potential shares.

### 5. Interim Report

Copies of this interim report are being sent to all shareholders and will be available to the public from the Company's Head Office, Gainsborough House, Sheering Lower Road, Sawbridgeworth, Herts, CM21 9RG.

## Directors and Advisers

### Directors

David Marks  
Chairman

James McLeod  
Operations Director

Robert Weigl  
Non-executive Director

### Secretary

David Marks

### Registered office

No 1 Riding House Street  
London W1A 3AS

### Company's registered number

3553625

### Bankers

Barclays Bank plc  
50 Pall Mall  
PO Box 15161  
London SW1A 1QA

### Auditors

Nexia Audit Limited  
Chartered Accountants  
No 1 Riding House Street  
London W1A 3AS

### Accountants and tax advisers

Smith & Williamson Limited  
Chartered Accountants  
No 1 Riding House Street  
London W1A 3AS

### Solicitors

Nabarro Nathanson  
Lacon House  
Theobald's Road  
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### Nominated advisers

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Bucklesbury House  
3 Queen Victoria Street  
London EC4N 8EL

### Brokers

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Talisman House  
Jubilee Walk  
Three Bridges  
Crawley, West Sussex RH10 1LQ

### Registrars

Capita Registrars  
The Registry  
34 Beckenham Road  
Beckenham, Kent BR3 4TU

### Public relations consultants

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